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FM AMEMBASSY HARARE
TO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY PRIORITY
RUEHC/SECSTATE WASHDC PRIORITY 0692
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHUJA/AMEMBASSY ABUJA 1335
RUEHAR/AMEMBASSY ACCRA 1186
RUEHDS/AMEMBASSY ADDIS ABABA 1339
RUEHBY/AMEMBASSY CANBERRA 0600
RUEHDK/AMEMBASSY DAKAR 0965
RUEHKM/AMEMBASSY KAMPALA 1393
RUEHNR/AMEMBASSY NAIROBI 3771
RUEHFR/AMEMBASSY PARIS 1162
RUEHRO/AMEMBASSY ROME 1814
RUEHBS/USEU BRUSSELS
RUEHGV/USMISSION GENEVA 0586
RHEHNSC/NSC WASHDC
RUCNDT/USMISSION USUN NEW YORK 1556
RUEKJCS/JOINT STAFF WASHDC
RUEHC/DEPT OF LABOR WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUEKDIA/DIA WASHDC//DHO-7//
RUCPDO/DEPT OF COMMERCE WASHDC
RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK//DOOC/ECMO/CC/DAO/DOB/DOI//
RUEPGBA/CDR USEUCOM INTEL VAIHINGEN GE//ECJ23-CH/ECJ5M//

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SIPDIS

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AF/S FOR S. HILL
AF/EPH FOR J. POTASH
STATE PASS TO USTR FOR C. HAMILTON
NSC FOR SENIOR AFRICA DIRECTOR C. COURVILLE
STATE PASS TO USAID FOR M. COPSON AND E. LOKEN
TREASURY FOR J. RALYEA AND A. SEVERINS
COMMERCE FOR BECKY ERKUL

E.O. 12958: N/A
TAGS: [AGOA](#) [ASEC](#) [ECON](#) [ELAB](#) [ETRD](#) [PGOV](#) [PHUM](#) [ZI](#)
SUBJECT: ZIMBABWE NOT COMPLIANT WITH AGOA ELIGIBILITY
CRITERIA

REF: STATE 163056

Zimbabwe continues to fall short of AGOA's qualifying
criteria. Post's input for the upcoming interagency review
follows:

a. Market-Based Economy: As a result of gross government
mismanagement of the economy, the role of markets has
weakened steadily and the country's economic outlook is
bleak. The World Economic Forum's Global Competitiveness
Report 2006-2007 cited Zimbabwe's macroeconomic environment
as the worst in the world. A persistent and deepening budget
deficit and loose monetary policy have led to quadruple-digit
inflation. The official exchange rate is infrequently
adjusted and consequently heavily overvalued, depressing
exports and further weakening the market value of the
Zimbabwe dollar. The Reserve Bank of Zimbabwe is also deeply
engaged in loss-making quasi-fiscal activity that has
distorted investment patterns. The IMF has estimated that
real per capita GDP will contract by a further 5.1 percent in
[2006](#). Unemployment in the formal sector is estimated at
75-80 percent.

b. Political Reforms/Rule of Law/Anticorruption: This year,
the GOZ is continuing its attack on political pluralism by
enacting and proposing new legislation that strengthens its
hand against the democratic opposition. In June, the GOZ
began to enforce the Criminal Law (Codification and Reform)
Act, which expanded the Government's already repressive

system of legislation. Police frequently use the new law to block demonstrations by civil society groups. The ruling party also has proposed legislation dealing with the interception of communications and counterterrorism that legal experts caution could be used against regime opponents.

In moves that echoed last year's Operation Restore Order, which destroyed the homes and businesses of over 700,000 people, the GOZ continues to periodically demolish informal businesses and evict people from their homes. Politically, the opposition party operates in a climate of intimidation and repression. Security forces harass, beat, and arbitrarily arrest perceived opposition supporters. The GOZ keeps the country's only non-government daily newspaper out of operation. In politically sensitive cases, the judiciary, especially the higher courts, shows indications of being politically influenced or intimidated. Political elites frequently ignore adverse court holdings. Official corruption is widespread. The Government of Zimbabwe prosecutes corruption selectively if at all, focusing on individuals who have fallen out of favor with the ruling party. The Government's allocation of resources, such as new homes and formerly white-owned commercial farms, has been nontransparent and driven by patronage.

c. Elimination of Barriers to U.S. Trade and Investment: The steeply deteriorating macroeconomic conditions, lack of rule of law, foreign exchange surrender requirements on exporters, a historically wide parallel exchange rate premium, declining availability of foreign exchange, and pervasive shortages of food, fuel, electric power and other basics render Zimbabwe's investment climate highly unattractive. Total investment as

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a percentage of GDP has fallen dramatically from 15.5 percent in 1997-2001 to an estimated 3.5 percent in 2006.

d. Poverty Reduction: While the GOZ maintains several programs that provide food or basic services to the poor, they have had minimal effect against the backdrop of sharply declining economic and social indicators. Most Zimbabweans have grown progressively poorer over the past 6 years. The 2004 Progress Report on Zimbabwe Millennium Development Goals estimates that the proportion of the population living below the Food Poverty Line rose from 57 percent in 1995 to 69 percent in 2002. In the same time period, the proportion of the population falling below the total consumption poverty line edged up from 74 percent to 80 percent. The Zimbabwe Demographic Health Survey 2005-2006 reports a worsening of the nutritional status of children since the last survey in 1999. Despite abundant rainfall the past year, food production improved only slightly and remained well below estimated need. As a result, food security remained a problem for over 1 million Zimbabweans, especially the rural poor. All in all, current trends indicate that poverty is on the increase in both rural and urban areas.

e. Workers' Rights/Child Labor/Human Rights: The Government engages in the pervasive and systematic abuse of human and worker rights. Security forces arbitrarily arrest and detain, assault, and torture with impunity persons considered critical of the ruling party or its policies. Despite official recognition of worker rights, the Government continues to exert heavy pressure on labor unions - limiting their freedom of association and right to organize. Unions have been denied routine meetings and necessary consultations with constituents under the draconian Protection of Order and Security Act (POSA). The GOZ maintains several programs aimed at improving child welfare; however, child labor remains a problem due to worsening macroeconomic conditions.

f. International Terrorism/U.S. National Security: While our relationship with the GOZ is severely strained, the Government does not engage in actions specifically meant to support international terrorism or undermine U.S. national security and has been cooperative on counter-terrorism issues. That said, the most senior GOZ officials regularly

attempt to undermine U.S. foreign policy interests by recklessly espousing public rhetoric filled with blatant falsehoods and wild accusations at high-profile international fora.

SCHULTZ